

Health Internal Controls Questionnaire

Ref: Section 601.43, Wis. Stat.

State of Wisconsin
Office of the Commissioner of Insurance
P. O. Box 7873
Madison, WI 53707-7873
(608) 266-3585

Control Risk—Operations Cycle

Note: The section that follows includes examples of internal control procedures that are commonly utilized by insurers, for the specific audit objective. Please insert specific control procedures used by the company not listed below. To the extent that the sample controls listed below are applicable, indicate such with a check mark next to the respective control or procedure, along with an indication of who (delete the whom in the control) at the company performs the procedure. These controls will be evaluated to determine whether such procedures are in place at the company. (If the operations and control environments of affiliates subject to this letter are substantially similar, only one set of responses is necessary for those affiliates.)

Other Assets

- _____ Does management review assets for compliance with the classification, valuation, and regulatory requirements or limitations? By (whom) _____.
- _____ Are changes that are made to the equipment inventory data reviewed to ensure that changes are authorized and that approved transactions are updated to the inventory on a timely basis? By (whom) _____.
- _____ Are the equipment control records periodically inspected and reconciled to asset ledgers by an individual independent of the custodial function? By (whom) _____.
- _____ Do procedures exist to prevent unauthorized individuals from purchasing or selling assets? By (whom) _____.
- _____ Is access to asset records limited to authorized personnel? By (whom) _____.
- _____ Is there a separation of duties between employees accounting for assets and those employees authorizing asset decisions? By (whom) _____.
- _____ Does management have safeguards in place to prevent unauthorized access to equipment? By (whom) _____.
- _____ Does management review the depreciation calculation and verify that the calculations are in accordance with guidelines established by the NAIC Accounting Practices and Procedures Manual? By (whom) _____.
- _____ Does the board of directors or authorized personnel approve all major equipment acquisitions? By (whom) _____.
- _____ Are reviews completed for those purchases and other asset transactions settling after year-end? By (whom) _____.
- _____ Do controls exist to verify that quoted prices on asset transactions are compared periodically to purchase/sale prices by persons independent of those executing and approving transactions? By (whom) _____.

Control Risk—Operations Cycle (continued)

- _____ Does management periodically evaluate the financial condition and capabilities of suppliers and property managers or owners and others with whom the reporting entity has established business relationships? By (whom) _____.
- _____ Are assumptions for future cash flow projections on leaseholds and major purchases, which are on an installment basis, periodically reviewed and monitored by management? By (whom) _____.
- _____ Are equipment and supplies including pharmaceutical supplies, which cannot be located, promptly written off? By (whom) _____.
- _____ Does management perform periodic asset reviews to identify and record other than temporary impairments? By (whom) _____.

Health Care Delivery Assets

- _____ Has management adopted specific guidelines for the classification of health care delivery assets? By (whom) _____.
- _____ Is there an asset control system that provides for the identification of quantities on hand and valuation of lower of cost or market (e.g., supplies, pharmaceuticals and surgical supplies, and durable medical equipment) as required by SSAP No. 73, paragraph 5? By (whom) _____.
- _____ Are daily inventory supply reports reviewed by someone independent of the processing of the transactions? By (whom) _____.
- _____ Are there procedures to write off pharmaceutical supplies in accordance with an established policy, such as by expiration date? By (whom) _____.

Taxes

- _____ Are applicable taxing authorities identified? By (whom) _____.
- _____ Does management maintain a calendar or other method to ensure that all returns are prepared, filed timely, and that payments made? By (whom) _____.
- _____ Is the intercompany allocation of provision and settlement of tax liability among members of consolidated groups documented and reviewed? By (whom) _____.
- _____ Are the reserve amounts included in federal income tax calculations and premium tax calculations reconciled to provisions in the Annual Statement? By (whom) _____.
- _____ Is the federal and state taxable income reconciled with statutory income? By (whom) _____.
- _____ Are the premiums used in calculating premium taxes reconciled to recorded premiums? By (whom) _____.

Related Party Transactions

- _____ Are all contracts between related parties reviewed to determine that the terms are fair and reasonable? By (whom) _____.

Control Risk—Operations Cycle (continued)

- _____ Does management review the accounting of related party transactions to verify that the company has utilized the proper valuation method required in SSAP No. 25, paragraph 14? By (whom) _____.
- _____ Are affiliate transactions/agreements, which are subject to the Holding Company Act, reported to the commissioner on a timely basis? By (whom) _____.
- _____ Does management periodically review settlements to ensure the settlements comply with the approved provisions of the agreement? By (whom) _____.
- _____ Does the company appropriately exclude amounts resulting from tax sharing and reinsurance agreements from Receivable/Payable to Parent, Subsidiary and Affiliate accounts? By (whom) _____.

General Expenses Due and Accrued

- _____ Are the receiving documentation, purchase approvals, and invoices matched before recording a liability? By (whom) _____.
- _____ Are invoices registered immediately upon receipt? Are duplicate invoices identified? By (whom) _____.
- _____ Is the account distribution reviewed when recording a liability or signing a check? By (whom) _____.
- _____ Are unmatched invoices investigated for inclusion into the estimated liability at the close of a period? By (whom) _____.
- _____ Do procedures exist for reporting isolated events (e.g., insolvency pool / guaranty fund assessments) to accounting personnel for approval? By (whom) _____.

Borrowed Money

- _____ Does the company regularly review and adequately document debt compliance? By (whom) _____.
- _____ Are significant debt arrangements reviewed and approved by the board of directors or a management team appointed by the board of directors? By (whom) _____.
- _____ Are significant debt contracts reviewed for unusual terms? By (whom) _____.
- _____ Are cash flow projections performed to determine adequacy of flows to service the debt? By (whom) _____.

Capital and Surplus

- _____ Are surplus and related equity accounts reconciled between periods? By (whom) _____.
- _____ Are stock registers properly controlled and is stock outstanding reconciled to the general ledger? By (whom) _____.
- _____ Are stock issuances reviewed to be in compliance with statutory requirements? By (whom) _____.

Control Risk—Operations Cycle (continued)

_____ Are surplus note registers reconciled to the general ledger and are repayments of notes reviewed for authorization and agreed to terms permitted statutorily? By (whom) _____.

Financial Reporting

_____ Does management review the financial reporting package and identify/follow-up on unusual items? By (whom) _____.

_____ Does management communicate with counsel on a regular basis, identify all outstanding potential litigation and assess the need for accounting consideration and in addition assess compliance with state regulators? By (whom) _____.

_____ Are consolidating/eliminating entries reviewed for reasonableness and consistency? By (whom) _____.

_____ Is the clerical accuracy of reported financial data tested (manually or electronically) ? By (whom) _____.

_____ Does management regularly identify and quantify relationships with related parties? By (whom) _____.

_____ Does management identify all significant subsequent events and consider the accounting implications? By (whom) _____.

_____ Does management review all significant contracts entered into and consider accounting implications? By (whom) _____.

_____ Has the company established formal privacy policies and procedures to ensure against the unauthorized release of non-public financial information? By (whom) _____.

Welfare and Pension Plans

_____ Payroll registers reconciled to general ledger? By (whom) _____.

_____ Distribution of hours to departments reviewed and approved by supervisory personnel? By (whom) _____.

_____ Comparisons of actual payroll amounts to budgeted amounts regularly reviewed by management? By (whom) _____.

_____ Allocation of payroll costs among affiliated companies periodically reviewed for reasonableness? By (whom) _____.

Control Risk—Investment Cycle

Note: The section that follows includes examples of internal control procedures that are commonly utilized by insurers for the specific audit objective. Please insert specific control procedures used by the company not listed below. To the extent that the sample controls listed below are applicable, indicate such with a check mark next to the respective control or procedure along with an indication of who (delete “the whom” in the control) at the company performs the procedure. These controls will be evaluated to determine whether such procedures are in place at the company.

Bonds and Stocks
Mortgage Loans on Real Estate
Real Estate
Policy Loans
Collateral Loans
Cash on Hand and on Deposit
Drafts Outstanding
Short Term Investments
Other Invested Assets
Aggregate Write/Ins for Invested Assets
Separate Account Assets

- _____ Has the board of directors adopted a written investment plan with specific guidelines as to the quality, maturity, and diversification of investments? By (whom) _____.
- _____ Does management review investment valuation methods for compliance with company policies and regulatory requirements? By (whom) _____.
- _____ Does management review investments for compliance with the authorized investment plans, including quality, maturity, dollar limits, and regulatory requirements? By (whom) _____.
- _____ Does the board of directors or authorized committee approve all investment transactions? By (whom) _____.
- _____ Are changes made to the investment master file data to ensure that authorized and approved transactions are timely and accurately updated? Are adjustments properly recorded in the subsidiary ledgers and general ledger? By (whom) _____.
- _____ Are the custodian's account statements and invested asset records periodically inspected and reconciled to investment ledgers by an individual independent of the custodial function? By (whom) _____.
- _____ Does management have a written process in place to assure compliance with the NAIC Securities Valuation Office (SVO) filing requirements set forth in the Purposes and Procedures Manual of the NAIC SVO? By (whom) _____.
- _____ Does management have a written process in place to actively monitor Nationally Recognized Statistical Rating Organization (NRSRO) ratings to ascertain that securities not filed with the NAIC Securities Valuation Office (SVO) meet the 'filing exempt' requirements as stated in Part Four of the Purposes and Procedures Manual of the NAIC SVO? By (whom) _____.
- _____ Per the NAIC SVO filing exempt requirements, bonds and preferred stock rated and monitored by at least one NRSRO with no rating lower than the equivalent to the NAIC SVO '2' designation are considered 'filing exempt'. Public Common Stock is considered filing exempt if it is not restricted to transferability and is listed on the New York Stock Exchange, American Stock Exchange or traded on the NASDAQ National Market System? By (whom) _____.

Control Risk—Investment Cycle (continued)

- _____ Does the insurer have mechanisms in place to subsequently monitor 'filing exempt' securities to properly and timely react if NAIC SVO filing becomes required? By (whom) _____.
- _____ Does management periodically review the security files to determine proper filing with the NAIC SVO for those securities that have lost their filing exemption? By (whom) _____.
- _____ Does management perform periodic investment reviews to identify and record other than temporary impairments? By (whom) _____.
- _____ Is access to securities, investment accounts, and records limited to authorized personnel, including custodians? By (whom) _____.
- _____ Is there separation among duties between employees accounting for investments and those employees authorizing investments decisions? By (whom) _____.
- _____ Are foreign currency translation calculations periodically reviewed by management? By (whom) _____.
- _____ Does management periodically evaluate the financial condition and capabilities of bank custodians, broker/dealers, servicing agents, property managers, and others with whom the insurer has established business relationships? By (whom) _____.

Bonds, Stocks, Short-Term Investments:

- _____ Does management review the unrealized and realized gains or losses of investment calculations? By (whom) _____.
- _____ Are assumptions for future cash flow projections on mortgage-backed securities reviewed and monitored by investment management? By (whom) _____.
- _____ Are daily security transaction reports reviewed by someone independent of the processing of the transactions? By (whom) _____.
- _____ Are proper period reviews completed for those securities and other investment transactions settling after year-end review? By (whom) _____.
- _____ Do procedures exist to ensure that investment transactions have been accurately processed and recorded in the investment master file and not duplicated elsewhere? By (whom) _____.
- _____ Are buy and sell orders to brokers periodically compared to broker advice? By (whom) _____.
- _____ Are quoted market prices on investment transaction dates compared periodically to purchase/sale prices by persons independent of those executing and approving transactions? By (whom) _____.
- _____ Do procedures exist to prevent unauthorized individuals from trading securities? By (whom) _____.

Control Risk—Investment Cycle (continued)

Securities Lending Activities:

- _____ Has the board of directors or appointed committee developed a written plan for securities lending transactions? By (whom) _____.
- _____ Are employees involved in the credit analysis of securities borrowers different from those participating in the management and recording of the securities lending program and activities? By (whom) _____.
- _____ Are written agreements maintained with the parties who borrow securities from the insurance company that specify the duties and responsibilities of each party which include, but are not limited to, acceptable types of collateral, standards for collateral custody and control, collateral valuation and initial margin, accrued interest, marking to market, margin calls, methods for transmitting coupon or dividend payments received if the security is on loan on the payment date, conditions which will trigger the termination of the loan (including events of default), and acceptable methods of delivery for loaned securities and collateral? By (whom) _____.
- _____ Does an adequate recordkeeping system exist to produce daily reports showing which securities are available for lending, and which are currently loaned, outstanding loans by borrower and returns of loaned securities? By (whom) _____.
- _____ Do adequate procedures exist to ensure that the delivery of loaned securities is not made unless adequate collateral has been received or will be received simultaneously with the delivery? By (whom) _____.
- _____ Are adequate facilities maintained for safekeeping of collateral received on securities loaned? By (whom) _____.
- _____ If the company administers its securities lending program through an authorized financial institution, has the company:
- _____ Obtained a written agreement with the financial institution in which the financial institution assumes liability for any and all losses, claims and other expenses arising out of negligence or willful misconduct with respect to the duties it performs with respect to the securities lending program? By (whom) _____.
- _____ Contractually obligated its custodian to provide records and reports which support the accounting and Annual Statement requirements? By (whom) _____.
- _____ Do adequate procedures exist to mark to market daily securities loaned and collateral held to ensure that any calls for additional collateral are made on a timely basis, minimum collateral levels are maintained, and approved credit limits are not exceeded? By (whom) _____.
- _____ Are securities lending activities periodically audited internally to assess the accuracy of the accounting records, the timeliness of reports, and the company's overall compliance with established policies and procedures? By (whom) _____.
- _____ Does the company's written securities lending plan describe how cash received will be invested? By (whom) _____.
- _____ Do procedures exist to establish limit approvals and monitor credit risk of parties who borrow securities from the insurance company? By (whom) _____.

Control Risk—Investment Cycle (continued)

Repurchase and Reverse Repurchase Agreements

- _____ Has the board of directors or appointed committee developed a written plan for repurchase transactions? By (whom) _____.
- _____ Are employees involved in the credit analysis of a party entering into a repurchase agreement with the insurer different from those participating in the management and recording of the agreements and activities? By (whom) _____.
- _____ Are written agreements maintained with parties who enter into repurchase agreements with the insurer that specify the duties and responsibilities of each party which include, but are not limited to, acceptable types of collateral, standards for collateral custody and control, collateral valuation and initial margin, accrued interest, market tracking, margin calls, methods for transmitting/receiving coupon or dividend payments, conditions which will trigger the termination of the repurchase agreement (including events of default), and acceptable methods of delivery for securities and collateral? By (whom) _____.
- _____ Does a record-keeping system exists to produce daily reports showing the status of securities held for collateral? By (whom) _____.
- _____ Do procedures exist to ensure that the delivery of securities is not made unless adequate collateral has been received or will be received simultaneously with the security delivery? By (whom) _____.
- _____ Are facilities maintained for the safekeeping of collateral held in conjunction with a repurchase agreement? By (whom) _____.
- If the company administers its securities repurchase agreement program through an authorized financial institution, has the company:
- _____ Obtained a written agreement with the financial institution in which the financial institution assumes liability for any and all losses, claims, and other expenses arising out of negligence or willful misconduct with respect to the duties it performs in relation to the repurchase agreement program? By (whom) _____.
- _____ Contractually obligated its custodian to provide records and reports, which support the accounting and Annual Statement requirements? By (whom) _____.
- _____ Do procedures exist to track the daily market value of securities held as collateral to ensure that any calls for additional collateral are made on a timely basis, minimum collateral levels are maintained, and approved credit limits are not exceeded? By (whom) _____.
- _____ Are repurchase agreement activities periodically audited internally to assess the accuracy of the accounting records, the timeliness of reports, and the company's overall compliance with established policies and procedures? By (whom) _____.
- _____ Do procedures exist to establish limit approvals and monitor credit risk of parties who enter into repurchase agreement with the insurance company? By (whom) _____.

Control Risk—Investment Cycle (continued)

Insurer Investment Pools

- _____ Are there written guidelines for the investment pool that specify the duties and responsibilities of each party involved? By (whom) _____.
- _____ Does the investment pool have a designated manager? By (whom) _____.
- _____ Are detailed accounting records maintained for all cash receipts and disbursements? By (whom) _____.
- _____ Do the investment pool accounting records reflect the types of securities and maturities underlying the investment pool? By (whom) _____.
- _____ Is each participant's proportionate share in the investment pool readily identified in the accounting records? By (whom) _____.

Cash on Hand and on Deposit

- _____ Is the bank reconciliation function separate from the issuance of checks and cash receipts function? By (whom) _____.
- _____ Is there a responsible official that regularly reviews the company's cash position and approves investment of excess cash? By (whom) _____.
- _____ Do funds moved electronically require the use of code words, number codes, callbacks, or other security procedures? By (whom) _____.
- _____ Do procedures exist to account and safeguard cash and assets that are not deposited when received? By (whom) _____.

Derivative Transactions

- _____ Has management established written guidelines for entering into derivative transactions? By (whom) _____.
- _____ Do the guidelines address investment objectives and risk constraints, permissible transactions, and the relationship of those transactions to its operations? By (whom) _____.
- _____ Do procedures exist to ensure that purchase transactions do not exceed limitations promulgated by the insurer's state of domicile? By (whom) _____.
- _____ Does the company have a monitoring system for determining whether a derivative instrument used for hedging has been effective? By (whom) _____.
- _____ Do procedures exist to ensure that derivative transactions have been accurately documented? By (whom) _____.
- _____ Do procedures exist to prevent unauthorized personnel from engaging in derivative transactions? By (whom) _____.
- _____ Do procedures exist to measure credit risk? By (whom) _____.

Control Risk—Investment Cycle (continued)

_____ Does the Board of Directors or investment committee determine whether there are adequate professional personnel and adequate systems to engage in derivative transactions? By (whom) _____.

Policy Loans and Premium Notes

_____ Are policy loans/premium notes reconciled to the policy loan inventory balance in the general ledger periodically? By (whom) _____.

_____ Are policy loans periodically compared to cash surrender values? By (whom) _____.

_____ Are available policy loan values recomputed and compared to automatic premium loan amounts? By (whom) _____.

_____ Are policy loan applications compared to policy applications and terms prior to issuing new loans? By (whom) _____.

Real Estate, Mortgage Loans and Collateral Loans

_____ Has the company instituted underwriting policies and guidelines (e.g., title searches, appraisals) for accepting liens against property and have they been periodically evaluated? By (whom) _____.

_____ Are new mortgage loans reviewed and monitored for compliance with authorized investment objectives, dollar limits, and regulatory requirements? By (whom) _____.

_____ Are the perfection of deed, status of existing loans, hazard insurance, and property tax payments monitored? By (whom) _____.

_____ Is loan information entered into the processing system monitored by someone independent of the processing function to ensure accuracy and completeness? By (whom) _____.

_____ Are reclassifications of foreclosed mortgage loans reviewed and approved by management? By (whom) _____.

_____ Are internal and external appraisals periodically reviewed by investment personnel as to methodology, review of assumptions, and capitalization rates, in accordance with SSAP No. 40, paragraph 11? By (whom) _____.

_____ Are current appraisals obtained for loans in foreclosure, real estate held for sale, and impaired real estate properties (as described in SSAP No. 40, paragraph 9) ? By (whom) _____.

Investment Income Due and Accrued

Unearned Investment Income

_____ Is expected investment income compared with actual amounts received and reviewed by management? By (whom) _____.

_____ Are investment yield reports regularly prepared and fluctuations investigated by appropriate officials? By (whom) _____.

Control Risk—Investment Cycle (continued)

_____ Is investment income received/receivable detail regularly reconciled to the general ledger control accounts by employees having no access to investments or cash receipts? By (whom) _____.

_____ Are investment income accruals, amortization of premiums, accretion of discounts, and interest purchased and sold recomputed for clerical accuracy? By (whom) _____.

Separate Accounts

_____ Does management approve the fund transfers between the separate account and general account functions? By (whom) _____.

_____ Are separate account transactions settled after year-end reviewed for proper period entry? By (whom) _____.

_____ Do procedures exist to ensure that separate account transactions have been accurately processed and reconciled to the general ledger? By (whom) _____.

Asset Valuation Reserve

Interest Maintenance Reserve

_____ Are the interest maintenance reserve and asset valuation reserve calculations reviewed by financial management? By (whom) _____.

_____ Do procedures exist to ensure that the realized capital gains/losses used to compute the interest maintenance reserve are accurate and complete? By (whom) _____.

Receivable/Payable for Securities

_____ Are the recorded receivables/payables reviewed by someone independent of the transactional function? By (whom) _____.

_____ Do procedures exist to ensure that receivables/payables have been completely processed and recorded? By (whom) _____.

_____ Are sell/buy orders to brokers compared to recorded receivable/payable transactions? By (whom) _____.

Control Risk—Loss Cycle

Note: The section that follows includes examples of internal control procedures that are commonly utilized by insurers for the specific audit objective. Please insert specific control procedures used by the company not listed below. To the extent that the sample controls listed below are applicable, indicate such with a check mark next to the respective control or procedure, along with an indication of who (delete the whom in the control) at the company performs the procedure. These controls will be evaluated to determine whether such procedures are in place at the company.

Claims Unpaid (See Actuarial Opinion)

Accrued Medical Incentive Pool and Bonus Payments

Unpaid Claims Adjustment Expenses (See Actuarial Opinion)

Aggregate Claim Reserves (See Actuarial Opinion)

Health Care Receivables (Pharmaceutical Rebate Receivables, Claim Overpayment Receivables, Loans and Advances to Providers, and Capitation Arrangement Receivables)

Aggregate Write-ins for Other Liabilities (Medical Malpractice Liabilities)

Claims Unpaid and Unpaid Claims Adjustment Expenses

_____ Are claim submissions reviewed and approved or rejected prior to processing the claim for payment?
By (whom) _____.

_____ Do procedures exist to prevent the payment of claims and prevent the initial recording of claims
reserves for policies not included in the enrollment listing? By (whom) _____.

_____ Are changes to the master policy file and claim data authorized and approved? By (whom)
_____.

_____ Do procedures exist to prevent additions/deletions to data contained in files, registers, databases,
etc.? By (whom) _____.

_____ How is the duplication of payment or payment by unauthorized personnel prevented? By (whom)
_____.

_____ Are changes to data on submitted claims permitted in the adjudication process? By (whom)
_____.

_____ Is the use of dummy codes permitted? By (whom) _____.

_____ Are claim reserves established or reviewed by a qualified actuary? By (whom)
_____.

_____ Is the statistical data reviewed for unusual items and relationships (e.g., negative reserves, aged
claim with no recent reserve changes or other claim transactions)? By (whom)
_____.

_____ Are prepayments (capitation or other provider advances) approved? By (whom)
_____.

_____ Do procedures exist to ensure that transactions are recorded in the correct accounting period and
claim year? By (whom) _____.

_____ Do procedures exist to ensure that transactions are input and accepted for processing? By (whom)
_____.

_____ Do procedures exist to ensure that rejected or suspended claims are appropriately investigated and
resolved? By (whom) _____.

Control Risk—Loss Cycle (continued)

- _____ Are advance or capitation accounts reconciled periodically to ascertain that claims submissions are being properly applied? By (whom) _____.
- _____ Are suspense accounts reviewed to ensure that they are cleared of Coordination Of Benefits (C.O.B.) and subrogation receipts, reinsurance recoverable receipts, and claim payments in a timely manner? By (whom) _____.
- _____ Do procedures exist to ensure that reported unpaid claims are recorded at the correct rate pursuant to a provider contract or member policy? By (whom) _____.
- _____ Is a claim inventory taken periodically to ensure that the detail claim filings agree with recorded claim information in the loss master file and on aging exhibits? By (whom) _____.
- _____ Is the general ledger reconciled to the unpaid claims subsidiary ledger? By (whom) _____.
- _____ Do procedures exist to ensure that funds received from C.O.B. and subrogation are properly recorded? By (whom) _____.
- _____ Do procedures exist to ensure that reinsurance recoverables are properly recorded, billed and received? By (whom) _____.
- _____ Does the company periodically perform quality control reviews to check the accuracy of recorded claim transactions?, by (whom)_____.
- _____ Does the company periodically review the factors used to establish loss or Claims/Loss Adjustment Expense (C/LAE) reserves? By (whom) _____.
- _____ Are independent reserve projections performed periodically throughout the year and compared to recorded reserve estimates? By (whom) _____.
- _____ Is the statistical loss data reconciled to the accounting data? By (whom) _____.
- _____ How is access to unissued checks or drafts and check signing machines limited to authorized personnel? By (whom) _____.
- _____ How is access to claim records restricted? By (whom) _____.
- _____ Do procedures exist to ensure that claims in excess of company's retention limits are reviewed? Do procedures exist to ensure that claims are reported to reinsurers in the appropriate time frame? By (whom) _____.

Accrued Medical Incentive Pool and Bonus Payments

- _____ Are contracts containing medical incentive pool arrangements and amendments properly documented? By (whom) _____.
- _____ Do procedures exist to ensure that accounting for medical incentive pool arrangements is reviewed, compared to contract terms and expected results, and approved? By (whom) _____.
- _____ Are medical incentive pool transactions reviewed and approved prior to issuing a draft or check? By (whom) _____.
- _____ Do procedures exist to prevent the payment of medical incentive pool payments to providers who do not have such provision in the contract? By (whom) _____.

Control Risk—Loss Cycle (continued)

- _____ How is the duplication of payment or payment by unauthorized personnel prevented? By (whom) _____.
- _____ Does a qualified actuary review the statistical data and accrual for the company's medical incentive pool arrangements? By (whom) _____.
- _____ Do procedures exist to ensure that transactions are recorded in the correct accounting period year? By (whom) _____.
- _____ Is the medical incentive pool data reconciled to the accounting data? By (whom) _____.
- _____ Are medical incentive pool reserves reviewed for adequacy and adjusted, when appropriate? By (whom) _____.
- _____ Is there adequate segregation of duties between employees responsible for maintaining the medical incentive pool payment records and those responsible for processing cash disbursements? By (whom) _____.

Aggregate Claim Reserves

- _____ Are methodology and assumptions used to compute reserves compared to minimum statutory requirements for reasonableness and consistency? By (whom) _____.
- _____ Are reserving assumptions and practices periodically reviewed to determine that appropriate recognition has been given to changes in the entity's mix of business, operations philosophy, or general procedural policies /practices? By (whom) _____.
- _____ Are eligibility or in-force records reconciled to reserve and premium records to assure that all in-force policies are reserved for? By (whom) _____.
- _____ Are reconciliations of in-force records from period to period prepare? By (whom) _____.
- _____ Is policy information in the master file periodically compared to appropriate guidelines to ensure that policy master file is appropriately updated for cancellations and retroactive eligibility dates? By (whom) _____.
- _____ Is policy master file information periodically agreed to other independent sources such as the group application, provider capitation billing, etc.? By (whom) _____.

Health Care Receivables

- _____ Are written agreements for health care receivables in place? Who maintains these agreements? Obtain copies of agreements related to pharmaceutical rebate receivables, claim overpayment receivables, capitation arrangement receivables, and risk sharing receivables. This includes agreements with any pharmacy benefit managers (PBMs). By (whom) _____.
- _____ Are the detail listings regarding health care receivables reconciled to the general ledger control accounts regularly? By (whom) _____.
- _____ Does someone independent of the actual transaction function review the recorded receivable transactions? By (whom) _____.
- _____ Are follow-ups conducted for past due accounts and are these accounts independently monitored for potential write-offs? By (whom) _____.

Control Risk—Loss Cycle (continued)

- _____ Is the balance of health care receivables periodically matched to the subsequent collection of these items? By (whom) _____.
- _____ Are all categories of health care receivables reviewed for impairment in compliance with SSAP No. 5? Who is responsible for performing these reviews? How often are they performed? By (whom) _____.
- _____ Are write-offs reviewed and approved independently? By (whom) _____.
- _____ Do agreements for health care receivables contain specific provisions to authorize and/or allow accurate identification of the receivables, as SSAP No. 84 requires? By (whom) _____.
- _____ Are periodic reviews or reconciliations made of health care receivables to ensure amounts reported are reasonable, consistent and/or collectible and comply with the requirements of SSAP No. 84? By (whom) _____.
- _____ Does the reporting entity identify pharmaceutical rebate receivables separately for insured and uninsured business? Document the reporting entity's method to determine these amounts and whether the method is reasonable. By (whom) _____.
- _____ For pharmaceutical rebates of uninsured plans, are there procedures in place to determine the payable to the uninsured plan? Document the reporting entity's method of determining this amount and whether the method is reasonable. By (whom) _____.
- _____ If the reporting entity utilizes a PBM, are written experience reports received periodically and reviewed for accuracy by the reporting entity, meeting with the requirements of paragraph 10 of SSAP No. 84? Document the review procedures and the individual responsible for such review. By (whom) _____.
- _____ If the reporting entity contracts directly with a pharmaceutical company, does the reporting entity bill and collect rebates in accordance with paragraph 10, SSAP No. 84? By (whom) _____.
- _____ Are claim overpayment receivables specifically identifiable and invoiced before being recorded as an asset as required by SSAP No. 84, paragraph 14. By (whom) _____.
- _____ Are there follow-up procedures with health care providers to ensure that overpayments are either collected by the reporting entity or used to offset the amounts currently owed the providers in accordance with SSAP No. 84, paragraph 14? Who performs these tasks? By (whom) _____.
- _____ Are advances to providers under capitation agreements periodically reconciled? Who performs these reconciliations? By (whom) _____.
- _____ Are loans and advances to non-related hospitals recorded and reconciled periodically in accordance with SSAP No. 84, paragraphs 16 and 17? Who performs this task? By (whom) _____.

Aggregate Write-in for Other Liabilities (Medical Malpractice Liabilities)

- _____ Does the risk management system identify and monitor potential malpractice incidents as well as evaluate the appropriateness of coverage? By (whom) _____.

Control Risk—Loss Cycle (continued)

_____ Are changes to the risk management system with regard to medical malpractice coverage communicated to the necessary company personnel on a timely basis? By (whom) _____.

_____ Is the adequacy of the medical malpractice liability reviewed regularly? By (whom) _____.

_____ Are actuarial assumptions reviewed periodically to determine appropriateness? By (whom) _____.

_____ Does outside legal counsel monitor medical malpractice claims? By (whom) _____.

Control Risk—Premium Cycle

Note: The section that follows includes examples of internal control procedures that are commonly utilized by insurers for the specific audit objective. Please insert specific control procedures used by the company not listed below. To the extent that the sample controls listed below are applicable, indicate such with a check mark next to the respective control or procedure along with an indication of who (delete the whom in the control) at the company performs the procedure. These controls will be evaluated to determine whether such procedures are in place at the company.

Accident and Health Premiums Due and Unpaid
Amounts Receivable Relating to Uninsured Accident and Health Plans
Amounts Due From Agents
Detail of Write-Ins (Additional Accrued Retrospective Premiums)
Premiums Received in Advance
General Expenses Due or Accrued (Commissions)
Amounts Withheld or Retained for the Account of Others
Liability for Amounts Held Under Uninsured Accident and Health Plans
Detail of Write-Ins (Accrued Return Retrospective Premiums)
Premium Deficiency Reserves

- _____ Are policy applications checked independently for compliance with company underwriting standards?
By (whom) _____.
- _____ Does management periodically review the underwriting performance and written agreements of agents, brokers, and sales personnel? By (whom) _____.
- _____ Does the company have procedures in place that comply with state requirements over the licensing and appointing of agents? By (whom) _____.
- _____ Does management periodically evaluate the financial condition of outside agents or others (MGA's) who handle the premiums? By (whom) _____.
- _____ Are underwriting standards approved by management on a current basis? By (whom) _____.
- _____ Are premium and commission discrepancy write-offs reviewed and approved independently? By (whom) _____.
- _____ Are policy term, effective/expiration dates, and lines of insurance tested? Are exceptions independently investigated? By (whom) _____.
- _____ Are renewal listings reconciled and/or matched to billing, cancellation, and expiration listings? By (whom) _____.
- _____ Are policy forms approved, pre-numbered, and sequence of policies issued verified independently? By (whom) _____.
- _____ Are premium adjustments resulting from endorsements, cancellations, and audits checked independently for accuracy? By (whom) _____.
- _____ Is there a procedure for approval of deletions other than expirations? By (whom) _____.
- _____ Are premium billings and rate determinations periodically tested for accuracy and agreement with rate books, contracts, or other supporting documentation? By (whom) _____.

Control Risk—Premium Cycle (continued)

- _____ Are commission statements periodically tested for accuracy and agreement with commission schedules? By (whom) _____.
- _____ Is the accuracy of agents' balances/premiums receivable aging independently checked? By (whom) _____.
- _____ Is the detail of agents' balances/premiums receivable records and the premiums written per premium register reconciled to general ledger control accounts regularly? By (whom) _____.
- _____ Are the retrospective premium calculations reviewed? Are these receivables and liabilities cleared on a timely basis? By (whom) _____.
- _____ Does someone independent of the actual transaction function review the recorded receivable transactions? By (whom) _____.
- _____ Are follow-ups conducted for past due accounts and are these accounts independently monitored for potential write-offs? By (whom) _____.
- _____ Are all billing records reconciled to premium registers? By (whom) _____.
- _____ Do procedures exist that restrict access of in-force files to unauthorized personnel? By (whom) _____.
- _____ Are procedures to review suspense accounts established to ensure they are properly cleared? By (whom) _____.
- _____ Is the balance of accident and health premiums due and unpaid periodically matched to the subsequent collection of these items? By (whom) _____.
- _____ Are procedures established to monitor the self-insured groups reimbursements to the company for amounts receivable relating to uninsured accident and health plans? By (whom) _____.
- _____ Are deposits held to ensure payment from self-insured groups properly included in the liability for amounts held under uninsured accident and health plans as required by SSAP No. 47, paragraph 11? Are the deposits refunded to the groups after they terminate, provided they are current in paying the amounts receivable relating to uninsured accident and health plans? By (whom) _____.
- _____ Are there performance penalties or bonuses incorporated in the administrative agreements for uninsured health plans? By (whom) _____.
- _____ Are amounts due from CMS (Centers for Medicare and Medicaid Services) or other federal or state government entities traced to the subsequent collection of these balances? By (whom) _____.

Control Risk—Reinsurance Cycle

Note: The section that follows includes examples of internal control procedures that are commonly utilized by insurers for the specific audit objective. Please insert specific control procedures used by the company not listed below. To the extent that the sample controls listed below are applicable, indicate such with a check mark next to the respective control or procedure, along with an indication of who (delete the whom in the control) at the company performs the procedure. These controls will be evaluated to determine whether such procedures are in place at the company.

Amounts Recoverable from Reinsurers

Funds Held Under Reinsurance Treaties with Authorized and Unauthorized Reinsurers

Reinsurance in Unauthorized Companies

Health Care Receivables (Risk Sharing Receivables)

- _____ Are reinsurance contracts reviewed for compliance with state regulations? By (whom) _____.
- _____ Are reinsurance contract terms and amendments reviewed for compliance with company guidelines prior to execution? By (whom) _____.
- _____ Are reinsurance contract terms and expected results properly documented prior to execution? By (whom) _____.
- _____ Is the financial stability of Organized Delivery Systems reviewed prior to contract execution and monitored on a continuing basis? By (whom) _____.
- _____ Do procedures exist to ensure that reinsurance accounting transactions (expense allowances, experience refunds, contingency reserves, mean reserve adjustments, recaptures, etc.) are reviewed, compared to contract terms and expected results, and approved in accordance with SSAP No. 61, paragraphs 21-55? By (whom) _____.
- _____ Are ceding companies and intermediaries approved with regards to business reputation, financial stability, and experience prior to contract execution and monitored on a continuous basis? By (whom) _____.
- _____ Are assuming companies and intermediaries approved with regards to business reputation, financial stability, and experience prior to contract execution and monitored on a continuous basis? By (whom) _____.
- _____ Are amounts due from ceding and assuming companies, Organized Delivery Systems (risk bearing entities) and intermediaries reviewed for collectibility in accordance with SSAP No. 61, paragraph 41 and SSAP No. 5? By (whom) _____.
- _____ Are reviews performed to ascertain that timely reports and accounting data are received from ceding companies or intermediaries and used to record transactions? By (whom) _____.
- _____ Are activity analyses for cumulative reinsurance contracts prepared and reviewed to assist in evaluation of profitability, risk exposure, contract variance, and expected results? By (whom) _____.
- _____ Are controls and accounting records for ceding entities independently tested or reviewed to substantiate accounting data provided or to monitor compliance with contract provisions? By (whom) _____.
- _____ Is an independent review conducted of a ceding company's underwriting practices, claims processing, loss reserving, and actuarial policies and procedures? By (whom) _____.

Control Risk—Reinsurance Cycle (continued)

- _____ Are recorded amounts of ceded reinsurance reconciled to detailed policy and reinsurance records?
By (whom) _____.
- _____ Is an evaluation of the need for adequacy letters of credit or collateral conducted prior to contract execution and monitored on a continuous basis? By (whom) _____.
- _____ Are reinsurance limitations as well as mortality and morbidity rates considered during the underwriting process? By (whom) _____.
- _____ Is the assuming company authorized to transact reinsurance within the ceding company's state of domicile? If not, are letters of credit or other means of security provided? By (whom) _____.
- _____ Are reinsurance transactions, claims processing, premium collection, key information systems functions, and general accounting activities appropriately segregated? Are independent reviews conducted of the work performed? Are the reinsurance receivables/payables reviewed by someone independent of the transactional function? By (whom) _____.
- _____ Do data files and production programs have adequate safeguards against unauthorized access? Are there proper safeguards over access to any collateral held by the ceding entity from the assuming entity, including funds held under coinsurance? By (whom) _____.
- _____ Are contracts with Organized Delivery Systems (risk bearing entities) reviewed for compliance with the entity's and regulatory guidelines and approved prior to execution as well as on an annual basis? By (whom) _____.

Health Care Receivables

- _____ Are risk-sharing contracts reviewed for compliance with SSAP No. 84 prior to execution? By (whom) _____.
- _____ Does the reporting entity perform evaluations of the receivable and payables in relation to the actual claims experience by contract? Who performs these reviews? By (whom) _____.
- _____ Does the reporting entity ensure that adequate experience exists for each contract when determining its estimates? By (whom) _____.
- _____ Are risk-sharing receivables determined and billed in accordance with SSAP No. 84, paragraphs 20a and 20b? By (whom) _____.